UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

January 22, 1925.

F.S.
A-1

FOREIGN NEWS ON APPLES

MARKETING AMERICAN APPLES IN GERMANY

For twenty years Hamburg has been one of the primary export markets for American apples. In the minds of many American apple shippers there at once arises the question "what consuming territory or territories give Hamburg its importance as an apple market?" Hamburg is a great shipping port, not alone because it is a seaport for a large share of Germany, but also because it is a Free Port and is a convenient and economical focusing point for shipping and reshipping between much of northern Europe.

It was through Hamburg that our now respectable export business in apples with the Scandinavian countries first got its start. A German broker at Hamburg several years before the war, consigned a shipment of American apples to Scandinavia, and it proved to be a very profitable venture, thus starting a thriving apple business between Hamburg and the cities in Denmark, Norway and Sweden. Business was also extended to Russia. Before the war Hamburg became the apple capital of the Baltic states. The enterprise of Scandinavian fruit dealers and a ten year retirement of Hamburg, because of the war, however, has changed all of this, and today with the Scandinavian countries getting most of their supplies direct, and with Russia out of consideration, Hamburg stands largely dependent upon the German population as a claimant to her position as a major apple market.

Berlin as an Apple Customer.

Looking to the German territory back of Hamburg, Berlin immediately suggests itself as the logical market in which to study conditions relating to consumptive power and to observe the steps in the distribution of American apples. Berlin with its population of over 3,000,000 people is easily comparable in size to Chicago. Under ordinary conditions it would be a city of good buying power, but at the present time it is too soon after the hardships of deflation to say that the people have a strong buying power.

In certain respects Berlin presents the appearance of a poor fruit customer. In no section does one see large, fine displays of fruits in retail stores. There is a decided lacking of specialized fruit shops and the stocks offered in the mixed retail stores were not especially attractive. In this respect Berlin is in contrast even with British cities, without considering the splendid displays seen in American cities. This is not especially due to

present day conditions because in all of its misery Berlin has maintained as many beautiful floral shops as one will see in any city and the displays of flowers on sale are magnificent. Notwithstanding this situation, Berlin uses large quantities of apples from one source or another.

Channels of Distribution in Berlin.

The fruit trade in Berlin is centered at Alexander Platz in the old part of the city only a few blocks from its very heart. Here in 1886 and later in 1894 the city built the Central Markethalle, a large brick sky-light structure covering about three blocks and designed to serve the wholesale and retail trade with its 1300 stalls. However, when the wholesale and retail trade of dairy products, fish, fruits and vegetables is centralized it requires a great deal of space to serve a city the size of Berlin and several years before the war the trade was becoming crowded so steps were taken to move the market bodily to a point where more space would be available and where a harbor was projected to accommodate 5,000 ton ships which would reach Berlin by a new canal from Hamburg.

The war stopped this for ten years so today the trade is going along in the old quarters awaiting the time when the city will have funds to go through with the project. It is understood that the canal and harbor are under construction.

One noticeable feature about the Central Markethalle is that trading, which starts at an early hour in the morning stops at ten o'clock. By noon the gates are closed and all of the goods are fenced off or covered up like a Saturday night. At this hour no business man can be found about the place. At five P.M. the gates are again opened and from then till seven the retail stalls do a thriving business.

The retail trade comes to the Central Markethalle early in the morning, bringing their carts, barrows and other vehicles and carrying their supplies away with them for the day's trading. For the most part fruit and vegetable retailing is done through small shops and hawkers.

During and after the war the city government appointed six large wholesale merchants as a reputable trade to which country shippers could consign their shipments of produce with safety and get an honest deal. These were consolidated into a syndicate called "Grossmarkt" G.M.B.H. Recently three of the firms have withdrawn from the syndicate and returned to individual enterprise. These six firms together with a few other larger wholesale merchants constitute the units that bring American apples into Berlin, buying them for the most part in Hamburg. Occasionally they are able to buy advantageously in Rotterdam, Copenhagen, and London as well. The small wholesalers look to these larger houses for their supplies of foreign fruits.

Of those bringing foreign fruits into Berlin, several have their branch houses in Hamburg. In some instances the "brach" takes the form of a working arrangement with a Hamburg wholesale firm. When buying in large quantities this becomes advantageous on account of the necessity of paying a buying

brokerage commission to a Hamburg buyer as only resident Hamburg firms can become members of the Verein von Hamburg Sudfruchtgrosshandler and members only are allowed to buy at the Hamburg auction.

Firms not having affiliations in Hamburg necessarily have to employ a Hamburg buyer. The latter charge a commission which ranges from 3% to 6% in different instances, for this service, which includes inspecting the fruit before the auction sale; buying the fruit; seeing that the fruit delivered is the same as purchased; forwarding the fruit from the quay to the railway; and the extension of credit pending shipment. In case the fruit is in bad condition the Hamburg buyer has facilities at the quay for re-conditioning, although this entails additional expense to the Berlin client.

Ordinarily the Berlin firm buys supplies only large enough to last a week or two. However, when prices look good he is not averse to speculating and sometimes buys ahead to an extent that he has supplies for a month. In this case common storage is nearly always used for the fruit.

Sources of Apple Supplies for Berlin.

In years of good crops Berlin receives vast supplies of European apples from southern Germany (Baden and Bavaria) and from Czecho-Slovakia, Austria, Switzerland, Italy, Holland, Jugo-Slavia, and Roumania, the first four countries being the most important foreign sources. After these apples are cleaned up the city then receives them from the United States and Canada, and later during the spring and summer, from Tasmania and Australia. Between 1915 and 1923 supplies from the latter countries have been negligible.

Importance of the Continental Crop.

In considering the markets back of Hamburg and Rotterdam, American growers and shippers have not appreciated nor considered as much as they should, the crop of apples grown in the European sections named above. During 1924 continental Europe grew one of the greatest crops ever known, yet little recognition was given the fact in American marketing circles. Many of these crops of apples were nearer to Berlin from the standpoint of cost of transportation, than American apples are after they have been discharged at Hamburg.

In years of heavy domestic supplies the German people can buy apples very cheaply. Although the fruit is not so attractive as American apples, some of their numerous varieties have very good eating quality and all will do for cooking. This makes the demand for imported apples very, very small until the home crop is well out of the way. Only a few of the fancy shops will buy a limited quantity of highly colored quality apples.

Although this year has been unparalleled for cheapness and plentifulness of continental apples, during the month of October American shippers started thousands of boxes from New York toward Hamburg. There was no market back of the port city, nor in the city itself because supplies of European apples were entirely adequate. When the American shipments arrived Hamburg recorded prices that probably will be the lowest of any on record for the American apple crop of 1924.

The writer saw a portion of this fruit on sale in Birmingham, England, early in December and even there the fruit was selling too low for its real value when measured by American markets. At that time in Hamburg Extra Fancy Winesaps sold for 9/-($2.10). On the date that this is written, January 5, 1925, apples sold in Hamburg for from 17/-($4.00) to 19/-($4.50). The difference is attributable to the change in condition in the supplies of continental apples in the distributing area reached by Hamburg.

Methods of Marketing Continental Apples in Berlin.

Local buyers and Berlin commission merchants either buy or solicit shipments from the farmers. From Czecho-Slovakia much of the fruit is shipped in barges, being loaded loose in a row of bins on either side of the keel of the craft. Several of the Berlin commission merchants own their barges and these make two or three trips per season. The boats hold about 100,000 kilos, equivalent to over 100 tons. They afford very cheap transportation as they float with the current down the Elbe River, thence through Havelseas to the Spree River which passes through Berlin. Three men conduct a barge from the orchards to the metropolis in eight days and artificial propulsive power is not required until the very last of the journey.

These barges provide the principal means of apple storage in Berlin. They are tied up in the heart of the city on the Spree and from them the wholesalers, or country shippers weigh out the fruit in 50 kilo (110 lbs.) baskets to the wholesale or retail buyers who come along with their carts and barrows, or with their motor trucks as the case may be.

Apples from the Tyrol region of Switzerland and from other more distant sections are shipped by rail in bulk and are carefully transferred from the freight cars into the bins of the barges for storage during the winter months. The water maintains an even temperature below the water line and during the severe weather straw and other material is used to protect the top of the load from freezing.

It must not be believed that this method of handling applies only to a small quantity of apples and is here described because of its unusual features. Vast quantities of apples go through these channels. One of the leading wholesale merchants stated that he had purchased 300 carloads of about 10,000 kilos (22,000 lbs.) each, equivalent to 175 American carloads, for storage in the canal boats to meet his winter trade. On Christmas week a big fleet of barges lay tied up on the River Spree, fairly within the shadow of the Schloss, (made memorable by the Kaiser's declaration of war from its balcony) and of the nearby State Church. All these barges were filled with apples and were there for the winter.

Berlin merchants maintain that this is the very best way to store apples One large dealer stated that before the war he invested in several thousand boxes of Hood River Newtowns. 2000 of these were stored in the canal boats and kept two months longer than those placed in cold storage. After the middle of the winter the domestic apples lose in condition and are not in great demand although some are stored in the barges until April.

Costs Accruing to American Apples in the Berlin Market.

When apples are sold to the Berlin wholesale merchant at the auction they accumulate costs of about $1.00 per box before they reach the Berlin retail dealer. The following items enter into this amount:

Commission to the Hamburg buyer.....3% to 6%
State Tax at 10m. per 100 kilos.....about 53¢ per box and $1.75 per barrel
State San Jose Inspection Charge, 10pf. per box (02.4); 20pf. per barrel (4.8¢)
Railway freight at 3.5m per 100 Kilos, about 19¢ per box and 63¢ per barrel.
Cartage at one end, 50pf. per 100 kilos, about 3¢ per box and 9¢ per barrel.
The wholesaler's margin of about 1m., or 23.9¢ per box.

Before the fruit reaches the consumer there is a turnover sales tax which must be taken into consideration. This is assessed after the first sale within the country and amounts to 1-1/2%.

Possibilities of Berlin Becoming a Primary Market.

When it is considered that American apples stand an auction broker's commission of 6% at Hamburg and a buyer's commission of about 4% before the fruit reaches distribution by the wholesaler, immediately the thought arises as to why Berlin with its 3,000,000 population could not become a primary market for American apples, with consignments direct to the wholesaler who charges a commission of 8% when handling consignments.

Several German wholesalers were questioned on this point, but those who had had experience stated that it had not proven satisfactory, mainly on account of difficulty in getting dependable and regular supplies.

When it comes to buying f.o.b. American shipping point, like the British wholesalers, they state that they prefer to see what they are buying, and that it has proven in the past that buying in Hamburg is cheaper than buying in New York. There does not seem to be a possibility of Berlin becoming a primary market as long as there is not a major factor in the American apple deal with sufficient control to give a steady supply of desired sorts.

Berlin merchants, however, showed much enthusiasm over the city becoming a primary market for Spanish oranges. As soon as the canal and harbor are finished ships of 5,000 tons will bring Mediterranean fruits direct.

Berlin Fruit Prices on December 29th.

Prices asked for American apples and for fruits competitive with American apples in Berlin markets on December 29, indicate the competition which must be met in this market at this time of the year. The retail prices of American apples were high. Jonathans and Spitzenbergs retailed at from 50pf. to 70 pf. per German pound, this is equivalent to 11¢ to 15.5¢ per American pound. Although all apples sell by weight the Germans do not seem so particular about the small sizes as do the British.

Domestic apples were selling for from 5m. ($1.20) to 32m. ($7.65) per 100 Kilos (220lbs.) The usual run of sale was from 8m. ($1.90) to 15m. ($3.60) per 100 Kilos, which would range from $17.50 to about $33.00 per ton in terms of American equivalents. This allowed them to retail very cheaply.

Good oranges were also retailing at reasonable prices. Very good ones could be bought for 1.5m. or 36¢ per dozen.

Oranges and Grapefruit in Berlin.

California Valencia oranges find a place in this market during the summer months, but during the season of Spanish and Italian citrus fruits American oranges do not have a chance. Wholesale prices are very much the same as in Great Britain and on account of the greater costs in having American fruits come the additional distance, competition is just that much more difficult.

No interest at all could be aroused in grapefruit. The amount passing through the market may be counted in the tens of cases, reaching here via Hamburg, having been re-shipped from London.

Suggestions and Outlook for the Berlin Market.

A more steady supply of apples is required in this market. Until the market is fed with a supply commensurate with its consumptive demands it will not do its share in taking our production. It is too soon after the opening up of trade to expect much in this direction, but it is very evident that there is much to be desired at the present time. Better crop reporting in Central Europe will help considerably in preventing the loading American apples onto the market when there is a big domestic crop, which usually results in cutting off later supplies too sharply.

Commercial treaties often help in lowering import taxes. There is no question that lower taxes would assist the consumption of American apples in Germany. If a commercial treaty is ever made with Germany this subject should not be overlooked.

The present outlook in Berlin is that with the excessive costs between the American grower and the German consumer there is not much possibility of finding a great outlet for the lower grades of apples, especially in years of large continental apple crops. Even when the crop is short and with low priced apples in America, the intermediate costs are so great as to make the apples dear to the Berlin consumer with small earnings. It follows that the market will be restricted to sound, well-colored boxed apples, Jonathans, Spitzenburgs, Winesaps and Newtowns, and some bright barreled stock,- York Imperials, if kept in sound condition until the New Year.

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